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Indonesia's Future

Challenges and Implications for Regional Stability and U.S. Security Interests

The Republic of Indonesia, the world's fourth most populous and largest Muslim-majority state, is undergoing a profound political transformation. Governmental instability, a fragile economy, secessionist movements, and ethnic and religious conflict threaten the country's nascent democracy. The stakes are high. A successful democratic transition would allow Indonesia to serve as a capable partner in maintaining regional security and stability in Southeast Asia while reducing opportunities for potential Chinese hegemony. Conversely, political deterioration or breakdown, the rise of Islamic radicalism or, in the worst-case scenario, the country's violent disintegration, would likely contribute to a more chaotic and unstable future for the region.

The challenges facing Indonesia and their implications for U.S. policy are the focus of a new RAND study, *Indonesia's Transformation and the Stability of Southeast Asia*, by Angel Rabasa and Peter Chalk. Although the future of the country's democratic evolution will be shaped in large part by domestic and regional factors, influencing this transformation is the most critical foreign policy challenge facing the United States in Southeast Asia. The United States can contribute to a positive outcome in Indonesia by providing support for Indonesia's stability and territorial integrity, building closer military-to-military ties, helping to prevent the further deterioration of Indonesian defense capabilities, and working to restore Indonesia's traditional role as the linchpin of regional stability.

INDONESIA'S NASCENT DEMOCRACY FACES MULTIPLE RELATED CHALLENGES

The RAND report analyzes several interlocking challenges that threaten Indonesia's democracy, stability, and territorial integrity.

Economic vulnerability. The economic crisis of 1997–1998 devastated the then fast-growing Indonesian economy. Although there has been a fragile recovery, the

economy remains vulnerable, and the underlying causes of the crisis—the large public and private debt overhang and the insolvency of much of the corporate and banking sector—have yet to be resolved.

Political instability. The political transition that began with the first parliamentary election of the post-Suharto era in 1999 and the indirect election of Abdurrahman Wahid as president marked a milestone in Indonesia's movement toward a democratic political system. However, this transition has been difficult and uncertain. Wahid's government failed to effectively address the country's pressing problems and emerged from its first year in office with a narrowing political base and under imminent threat of removal.

Threats to territorial integrity. The separation of East Timor in 1999 provided an impetus to secessionist movements in the far more economically and politically important provinces of Aceh and Irian Jaya (Papua). At the same time, ethnic and religious violence has escalated in the eastern and central islands, generating stresses that the Indonesian political system may not be able to withstand.

Decentralization. In an effort to mollify the provinces, the central government agreed to a process of decentralization under which both power and revenue would devolve to local jurisdictions. If successful, decentralization could lessen the provinces' distrust of Jakarta and defuse separatist sentiment. But if not properly implemented, the plan could lead to the central government's loss of control of macroeconomic policy, an increase in the disparity between the richer and poorer regions, and an acceleration of separatist tendencies.

Military reform. Indonesia's military is undergoing a significant transformation, which includes a retreat from its institutional political role and the transfer of internal security functions to a newly independent national police force. Implementation of these reforms is far from certain

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and will require significant resources and enormous changes in the military's organizational structure, training, and personnel practices.

INDONESIA'S FUTURE REMAINS UNCERTAIN

The breakdown of Indonesia's old political order has exposed tensions among political forces trying to sort out new power relationships. The study identifies six alternative future scenarios that could result: democratic consolidation, aborted transition and political breakdown, a variant of military rule, a return to authoritarian civilian rule, radical Islamic influence, and territorial disintegration.

Over the short to medium term (one to three years), trends in Indonesia suggest a continuation of weak central government and worsening security conditions in provinces experiencing separatist or communal violence. Over the longer term, barring a lasting upturn in the economy or the conclusion of a workable agreement with disaffected provinces, it is likely that one or more of the downside scenarios will come to pass.

THE UNITED STATES CAN HELP TO SHAPE INDONESIA'S EVOLUTION

The overriding challenge for the United States is to help shape Indonesia's evolution so that the country will emerge as a stable democracy and capable partner in maintaining regional security and stability. The United States can begin to move toward this objective by establishing a baseline for engagement with Indonesia, contingent on changing security conditions in Indonesia, Southeast Asia, and the broader Asia-Pacific region. Steps the United States should take now include the following:

Support Indonesia's stability and territorial integrity. The United States should work with Japan, other regional allies, and international financial institutions to provide resources to assist Indonesia in overcoming its multiple crises. The United States must be careful not to demand more than the weakened Indonesian government can deliver and should ensure that any giving—or withholding—of aid contributes to the strengthening of Indonesian democratic forces.

Strive to build closer military-to-military ties. The United States can promote a democratic model of military

professionalism in Indonesia at a time when the Indonesian military is open to new ideas. The deepening of military-to-military ties could begin with the Indonesian air force and navy, both of which play a major role in linking the island components of Indonesia and generally have not been involved in internal security operations and the human rights abuses reported in that context.

Help restore Indonesia's regional security role.

Indonesia is unlikely to resume its leadership role in Southeast Asia until it overcomes its current domestic difficulties. Nonetheless, the United States could move this long-term process forward by helping to restore, to the extent possible, the Indonesian-Australian security relationship, which was damaged as a result of Canberra's involvement in the East Timor crisis of 1999–2000.

A stable, independent East Timor will be key to the rebuilding of Indonesia's role in regional security. Ensuring a constructive relationship between Indonesia and East Timor will require the negotiation of an arrangement that takes into account the interests of all sides, as well as an international effort to train and equip an East Timorese security force capable of securing the border and protecting the population from recalcitrant militia factions.

Support the development of a regional crisis reaction force. The member states of the Association of Southeast Asian Nations (ASEAN) have developed a network of informal bilateral defense ties. The United States could contribute to this process by promoting interoperability and combined exercises with and among friendly regional states and, if needed, providing supporting capabilities for the effective deployment and operation of an ASEAN military force in a crisis.

The United States and the U.S. Air Force must also plan for contingencies that could arise if the situation in Indonesia were to deteriorate further. Such a plan would require a deepening of defense relationships with and among other friendly regional states, such as Australia, the Philippines, and Singapore. Over the long term, if Indonesia were to overcome its domestic problems, the United States and Indonesia could further develop a cooperative bilateral defense relationship as part of the deepening and widening of the network of U.S. defense arrangements in the Asia-Pacific region.

RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for RAND's Project AIR FORCE; it is documented in *Indonesia's Transformation and the Stability of Southeast Asia*, by Angel Rabasa and Peter Chalk, MR-1344-AF, 2001, 135 pp., ISBN 0-8330-3006-X, available from RAND Distribution Services (Telephone: 310-451-7002; toll free 877-584-8642; FAX: 310-451-6915; or email: order@rand.org). Abstracts of all RAND documents may be viewed on the World Wide Web (www.rand.org). Publications are distributed to the trade by NBN. RAND® is a registered trademark. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.

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